

U.S. Department of the Interior  
Minerals Management Service  
Minerals Revenue Management

Oil Transportation Allowance Report  
Form MMS-4110

OMB Control Number 1010-0061  
OMB Approval Expires 10/31/2004

FOR MMS USE ONLY:

1 PAYOR NAME \_\_\_\_\_

2 PAYOR CODE \_\_\_\_\_

ADDRESS \_\_\_\_\_

4 REPORT TYPE ☐

CITY \_\_\_\_\_ STATE \_\_\_\_\_ ZIP \_\_\_\_\_

5 REPORTING PERIOD \_\_\_\_\_ to \_\_\_\_\_

3 FOR PAYOR USE ONLY:

6	7	8	9	10	11 PRIOR PERIOD ACTUAL DATA			12 CURRENT PERIOD ESTIMATED DATA		
					a	b	c	a	b	c
	LEASE NUMBER	AGREEMENT NUMBER	PRODUCT CODE	ARM'S-LENGTH/ NON-ARM'S-LENGTH INDICATOR	ROYALTY QUANTITY	ALLOWANCE RATE PER UNIT	ROYALTY ALLOWANCE AMOUNT	ROYALTY QUANTITY	ALLOWANCE RATE PER UNIT	ROYALTY ALLOWANCE AMOUNT
1										
2										
3										
4										
5										
6										
7										
8										
9										
10										
11										

13	PAGE TOTAL		XXXXXXXXXXXX			XXXXXXXXXXXX	
14	REPORT TOTAL (LAST PAGE ONLY)		XXXXXXXXXXXX			XXXXXXXXXXXX	

IF MORE LINES ARE NEEDED, ATTACH ADDITIONAL PAGES OF FORM MMS-4110

I have read and examined the statements in this report and, to the best of my knowledge, they are accurate and complete.

NAME (FIRST, MIDDLE INITIAL, LAST) (typed or printed)

DATE:

AUTHORIZED SIGNATURE:

DATE:

NAME OF PREPARER:

TELEPHONE NUMBER:

THIS INFORMATION SHOULD BE CONSIDERED (Please check one) ☐ PROPRIETARY ☐ NONPROPRIETARY

Paperwork Reduction Act of 1995 (PRA) Statement: The PRA (44 U.S.C. 3501 et seq.) requires us to inform you that we collect this information to determine product valuation and to ensure that royalties are paid properly. The MMS uses the information to evaluate the reasonableness of allowances claimed. Responses are required to obtain a benefit. Proprietary information is protected in accordance with standards established by the Federal Oil and Gas Royalty Management Act of 1982 (30 U.S.C. 1733), the Freedom of Information Act (5 U.S.C. 552(b)(4)), and the Department regulations (43 CFR 2). An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid OMB Control Number. Public reporting burden for this form is estimated to average 5 hours per response, including the time for reviewing instructions, gathering and maintaining data, and completing and reviewing the form. Direct comments regarding the burden estimate or any other aspect of this form to the Information Collection Clearance Officer, Minerals Management Service, Mail Stop 4230, 1849 C Street, NW, Washington, DC 20240.

## **Oil Transportation Allowance Report Form MMS-4110**

### **General Instructions**

The purpose of Form MMS-4110 is to provide for the determination and reporting of costs for transporting oil under 30 CFR 206.55. Allowable transportation costs must be based upon the following criteria: (1) arm's-length based allowances--allowable cost incurred under an arm's-length contract; and (2) non-arm's-length based allowance--actual, allowable operating costs plus depreciation, plus a return on the undepreciated portion of the depreciable capital investment. Allowable costs divided by lease production yields the transportation allowance rate.

In accordance with 30 CFR 206.54, a payor may deduct from royalty payments the reasonable actual costs incurred by the lessee to transport oil from an onshore lease to a point off the lease; provided, however, no transportation will be granted for transporting oil taken as Royalty-in-Kind (RIK). Costs for transporting products, excluding waste products which have no value, which are not valued for royalty purposes will be allowed only if the lessee has secured prior approval from MMS.

For transportation costs incurred under arm's-length conditions, Schedule 1 will be used to determine the allowance and will be submitted to MMS with Page 1 of Form MMS-4110. For transportation costs incurred under other than arm's-length conditions or when transportation costs are a combination of arm's-length and non-arm's-length costs, Schedules 1, 1A, 1B, and 1C, as appropriate, will be used to determine the allowance and will be submitted to MMS with Page 1 of Form MMS-4110.

For purposes of this report, a sale means the disposition of oil under an arm's-length contract, non-arm's-length contract, or no contract situation. A transportation facility means a physical system associated with the transportation of oil from the lease to a point of disposition remote from the lease. A transportation segment is any mode of transportation from one point to another for which the payor can associate unique, identifiable costs. A transportation segment may be part of the total transportation facility or may constitute the entire facility. Examples of a transportation segment would be an origin-to-destination pipeline owned by the lessee to transport the oil to a point on a third party pipeline through which the oil is transported under an arm's-length contract to the sales point.

Form MMS-4110, Page 1, is used to report the actual royalty allowance amounts claimed during the reporting period.

Form MMS-4110, Schedule 1, is used to accumulate segment costs and to compute the royalty allowance rate for a transportation facility. A separate Schedule 1 must be completed for each Lease Number/Agreement Number (if applicable), combination.

Form MMS-4110, Schedule 1A, summarizes operating, maintenance, and overhead costs for a non-arm's-length or no contract transportation segment.

Form MMS-4110, Supplemental Schedule 1A, is used to detail operating, maintenance, and overhead costs that could not be shown on Schedule 1A because of its limited space.

Form MMS-4110, Schedule 1B, summarizes depreciation and undepreciated capital investment costs for a non-arm's-length or no contract transportation segment.

**Oil Transportation Allowance Report  
Form MMS-4110**

**Line-by-Line Instructions**

1. Enter the payor name and address used to report royalties and transportation deductions on Form MMS-2014.
2. Enter the same payor code as used on Form MMS-2014.
3. Reserved for payor comment.
4. Enter the report type indicator as follows: "1" if this is an initial report for the lease and/or agreement number and product code in columns 7 through 9 (only column 12 will be completed); "2" if this is a routine form to report the reporting period actual data and current period estimated data (both columns 11 and 12 must be completed); or "3" if this is a corrected report to correct previously reported data. A corrected report requires a two-line entry. The first line reverses the original entry using a minus sign (-) in columns 11a, 11b, 11c, 12a, 12b, and 12c, as applicable, and the second line shows the correct entry.
5. Enter as the reporting period the period covered by the actual cost data for the transportation allowance being reported in column 11. If this is an initial report for start-up, the completion of column 11 is not applicable. Enter as the reporting period the period covered by the estimated cost data being reported in column 12. The reporting period will be controlled by the arm's-length/payor-owned indicator in column 10. If a "NARM" or "BOTH" is shown in column 10, the reporting period will be: (a) for the initial reporting period, beginning the month the lessee is first authorized to deduct a transportation allowance and ending at the end of the calendar year or when the transportation terminates, whichever is earlier, or (b) after the initial reporting period, beginning the first day of the calendar year and ending the last day of the calendar year or when the transportation terminates, whichever is earlier. If a "ARMS" is shown in column 10, the reporting period will be: (a) for the initial reporting period, beginning the month the lessee is first authorized to deduct a transportation allowance and ending when the contract or rate terminates, is modified or amended, or the end of the calendar year, whichever is earlier, or (b) after the initial period, beginning the first day after the period covered by the previous Form MMS-4110 and ending when the contract or rate terminates, is modified or amended, or the end of the calendar year, whichever is earlier.
6. Line count; i.e., the number of allowances being reported.
7. Enter the same Lease Number as used on Form MMS-2014.
8. Enter the same Agreement Number (if applicable) as reported on Form MMS-2014.
9. Enter the same product code as used on Form MMS-2014.
10. Enter an arm's-length/non-arm's-length indicator as follows: "NARM" if 100% of the transportation costs were incurred under non-arm's-length conditions; "BOTH" if transportation costs were a combination of arm's-length and non-arm's-length conditions; or "ARMS" if 100% of the transportation costs were incurred under arm's-length conditions.
11. Column 11 is used to report actual cost data for the reporting period. Enter in column 11a the royalty quantity transported during the reporting period. Enter in column 11b the lesser of the transportation allowance rate from Schedule 1, line 15, or 50 percent of the unit value of the oil unless MMS has approved a rate in excess of 50 percent. Enter in column 11c the royalty allowance amount determined by multiplying column 11a by column 11b. (Royalty quantity is the total of the monthly royalty quantities actually transported during the reporting period.)

**Oil Transportation Allowance Report  
Form MMS-4110**

**Line-by-Line Instructions**

12. Column 12 is used to report estimated transportation allowance for the current reporting period. The transportation quantity or allowance rate may be the same as the actual quantity or rate reported in column 11. If so, enter the corresponding values from columns 11a, 11b, and 11c into columns 12a, 12b, and 12c accordingly. If the lessee believes the quantity or the rate for the current reporting period will be higher or lower than the reporting period, the estimates should be adjusted upward or downward accordingly. Care should be taken to ensure that estimates are as accurate as possible and that the royalty allowance amount does not exceed 50 percent of the expected royalty value without prior MMS approval. If a transportation allowance is not applicable to the current period, enter zeros in column 12a, 12b, and 12c.

Estimates for transportation facility start-up must be computed as follows:

If transportation costs are to be incurred solely under arm's-length conditions, enter in column 12a the estimated royalty quantity to be transported during the current period. In column 12b enter the allowance rate per unit as specified in the arm's-length contract and shown on Schedule 1, line 15. In column 12c enter the estimated royalty allowance amount computed by multiplying column 12a times column 12b. (Note: the allowance rate cannot exceed 50 percent of the unit value of the product without prior MMS approval.)

For transportation costs to be incurred under non-arm's-length conditions or a combination of both arm's-length and non-arm's-length conditions, Schedules 1, 1A, and 1B, as appropriate, shall be used in estimating the allowance rate. Enter in column 12a the estimated royalty quantity to be transported. In column 12b enter the lesser of the estimated transportation allowance rate from Schedule 1, line 15 or 50 percent of the expected unit value of the gas product transported for the selling arrangement unless MMS has approved a rate in excess of 50 percent. In column 12c enter the royalty allowance amount determined by multiplying column 12a by column 12b.)

Enter page totals on line 13.

If more than one Form MMS-4110 is submitted, add the amount on line 14 for each page and enter the total only once on line 14 of the last page of the Oil Transportation Allowance Report.

Indicate by checking the appropriate box whether the information should be considered proprietary or nonproprietary.

**Oil Transportation Facility Summary Sheet**  
**Form MMS-4110, Schedule 1**

<b>1</b> PAYOR NAME AND CODE _____ / _____ ADDRESS _____ CITY _____ STATE _____ ZIP _____	<b>2</b> LEASE NUMBER: _____ AGREEMENT NUMBER: _____ FACILITY NAME/ID NUMBER: _____ PERIOD: (mm/dd/ccyy) _____ to _____
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(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Segment Name or Number	Mode of Transportation	Arm's-Length/Non-Arm's-Length Indicator	Arm's-Length Contract/Non-Arm's-Length Operating Costs	Depreciation	Rate of Return	Undepreciated Capital Investment at Beginning of Year	Return on Investment (f) x (g)
From	To						
<b>A. TRANSPORTING OIL TO A REMOTE TREATMENT FACILITY.</b>							
_____	_____	_____	\$ _____	\$ _____	_____	\$ _____	\$ _____ <b>3</b>
_____	_____	_____	_____	_____	_____	_____	_____ <b>4</b>
_____	_____	_____	_____	_____	_____	_____	_____ <b>5</b>
_____	_____	_____	_____	_____	_____	_____	_____ <b>6</b>
_____	_____	_____	_____	_____	_____	_____	_____ <b>7</b>
<b>Totals</b>			\$ _____	\$ _____	_____	\$ _____	\$ _____ <b>8</b>

Allowance rate = (lines 8d + 8e + 8h)/Volume of production transported from the lease to processing/treatment facility.  

$$\frac{\$ \text{Part A Total Cost}}{\text{Part A Total Volume}} = \$ \text{Cost per Barrel} \quad \text{9}$$

<b>B. TRANSPORTING OIL TO A REMOTE SALES POINT.</b>							
_____	_____	_____	\$ _____	\$ _____	_____	\$ _____	\$ _____ <b>10</b>
_____	_____	_____	_____	_____	_____	_____	_____ <b>11</b>
_____	_____	_____	_____	_____	_____	_____	_____ <b>12</b>
<b>Totals</b>			\$ _____	\$ _____	_____	\$ _____	\$ _____ <b>13</b>

Allowance rate = (lines 13d + 13e + 13h)/Volume of products transported from the lease plant to the sales point.  

$$\frac{\$ \text{Part B Total Cost}}{\text{Part B Total Volume}} = \$ \text{Cost per Barrel} \quad \text{14}$$

Total Unit Allowance Rate = the sum of line 9h and 14h. The allowance rate cannot exceed 50 percent of the value of the product without prior MMS approval.  
 \_\_\_\_\_ **15**  
 Allowance Rate

THIS INFORMATION SHOULD BE CONSIDERED (Please check one) ☐ PROPRIETARY ☐ NONPROPRIETARY

**Oil Transportation Facility Summary Sheet  
Form MMS-4110, Schedule 1**

**Instructions**

A separate Form MMS-4110, Schedule 1 must be used to determine the royalty transportation allowance amount for each Lease Number and Agreement Number (if applicable), combination. No allowance may be claimed if the facility is not off the lease.

Part A is used to accumulate segment costs and to compute an allowance for transporting oil from the lease to a separation facility remote from where the lease is situated. Part B is used to accumulate segment costs and compute an allowance for transporting oil from either a lease, or from a separation facility, to the nearest available market place or sales outlet remote from the lease. When oil is transported to a separation facility, treated, and clean oil is transported from the facility to a remote sales point, both Parts A and B must be used in computing the allowance.

The payor must submit a clear schematic diagram, on no larger than 8-1/2 by 11-inch paper, illustrating the transportation facility from the lease to the point where the products are disposed of. Separation facilities, points of measurement, and points of sale or disposition for royalty purposes must be designated.

1. Enter the same payor name, payor code, and address as used on Page 1 of Form MMS-4110.
2. Enter the same Lease Number and Agreement Number (if applicable), combination as used on Form MMS-2014. Enter the transportation facility name or identification number (as designated by the payor) unique to the transportation facility. (Note: For a transportation facility consisting of only one segment, the segment name or number will be the same as the facility name or number.)

Enter the reporting period. The period must be the same period shown in item 5 on Form MMS-4110, Oil Transportation Allowance Report.

The following instructions are applicable to Part A (lines 3-7) and Part B (lines 10-12):

- a. Describe each segment of the transportation facility; e.g., from Lease No. XX-YYYYY-Z to St. John treatment facility.
- b. Identify the mode of transportation under which costs are incurred; e.g., pipeline, truck, rail, tanker, barge, etc.
- c. Indicate how facility/segment costs were incurred ("NARM" denotes non-arm's-length costs which include non-arm's-length and no contract situations; "ARMS" denotes arm's-length contract costs).
- d. If transportation costs were incurred under arm's-length condition, enter the total costs incurred for the period by multiplying the transportation rate by the volume transported at that rate. No transportation allowance may be given for substances or products that are not valued for royalty purposes without prior MMS approval. If two or more rates are applicable during the reporting period, the cost incurred under each rate must be computed and summed. If, for example, the rates were \$1.00 per barrel for 150 barrels and \$1.50 per barrel for 100 barrels, the transportation costs would be \$1.00 times 150 barrels plus \$1.50 times 100 barrels or \$300.00. Do not complete columns (e) through (h) for arm's-length costs.

If transportation costs were incurred under other than arm's-length conditions, complete columns (d) through (h). Using Schedule 1A determine the operations, maintenance, and overhead expenditures and enter in column (d). A separate Schedule 1A must be completed for each individual segment.

**Oil Transportation Facility Summary Sheet  
Form MMS-4110, Schedule 1**

**Instructions**

- e. Enter depreciation costs for the reporting period. Schedule 1B must be used to determine depreciation costs.
- f. The rate of return shall be the industrial rate associated with Standard and Poor's BBB rating. Enter the monthly average rate as published in Standard and Poor's Bond Guide for the first month of the reporting period.
- g. Enter the beginning-of-year undepreciated capital investment. Schedule 1B must be used to determine beginning-of-year undepreciated capital investment. A separate Schedule 1B must be completed for each individual segment.
- h. Calculate the return on undepreciated capital investment by multiplying column f by column g.

Total columns d, e, and h and enter on lines 8d, 8e, and 8h, or lines 13d, 13e, and 13h, accordingly.

For Part A, sum lines 8d, 8e, and 8h and enter on line 9 - Total Costs. Enter total volume of production transported from the lease, as measured at the approved royalty measurement point, to the facility on line 9 - Total Volume. (Note: The total throughput volume excluding waste products that have no value must be used.) Compute the allowance cost per barrel, to six decimals, by dividing line 9 - Total Cost, by line 9 - Total Volume, and enter on line 9h.

For Part B, sum lines 13d, 13e, and 13h and enter on line 14 - Total Cost. Enter the total volume transported from the lease or treatment facility on line 14 - Total Volume (Note: Total volume is the volume transported through the transportation facility for the prior reporting period.) Compute the allowance cost per barrel, to six decimals, by dividing line 14 - Total Cost, by line 14 - Total Volume, and enter on line 14h.

15. The total unit allowance rate is equal to the sum of line 9h plus line 14h. Enter this allowance rate on line 15. The allowance rate cannot exceed 50 percent of the value of the product without prior MMS approval.

Indicate by checking the appropriate box whether the information should be considered proprietary or nonproprietary.

**Non-Arm's-Length Transportation  
System/Segment Operations, Maintenance,  
and Overhead Expenditures  
Form MMS-4110, Schedule 1A**

PAYOR IDENTIFICATION BLOCK	
Payor Name and Code:	_____
Lease Number:	_____
Agreement Number:	_____
Facility ID No:	_____
Segment ID No:	_____
Period: (mm/dd/ccyy)	_____ to _____

☐ Estimated Costs - Check when estimating costs for systems/segment start-up.

**A. Lessee's Operating Costs for System/Segment**

Operations Supervision and Engineering	\$ _____	<b>1</b>
Operations Labor	_____	<b>2</b>
Utilities	_____	<b>3</b>
Materials	_____	<b>4</b>
Ad Valorem Property Taxes	_____	<b>5</b>
Rent	_____	<b>6</b>
Supplies	_____	<b>7</b>
Other (specify). Attach Supplemental Schedule 1A	_____	<b>8</b>
as necessary	_____	<b>9</b>
Total Operating Costs -- Subtotal	\$ _____	<b>10</b>

**B. Lessee's Maintenance Costs**

Maintenance Supervision	\$ _____	<b>11</b>
Maintenance Labor	_____	<b>12</b>
Materials	_____	<b>13</b>
Other (specify). Attach Supplemental Schedule 1A	_____	<b>14</b>
as necessary	_____	<b>15</b>
Total Maintenance Costs -- Subtotal	\$ _____	<b>16</b>

**C. Lessee's Overhead Allocation (specify)**

_____	\$ _____	<b>17</b>
_____	_____	<b>18</b>
Other (specify) use Supplemental Schedule 1A	_____	<b>19</b>
Total Overhead Allocation	\$ _____	<b>20</b>

**D. Total Operating and Maintenance Costs  
(Line 10 + line 16 + line 20)**

\$ _____	<b>21</b>
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**E. Allocated to Segment**

Lease Volume _____ ÷ Total throughput _____	\$ _____	<b>22</b>
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**F. Segment Allocated Operating, Maintenance, and  
Overhead Costs**

(Line 21 x line 22) Enter in column d, Schedule 1

\$ _____	<b>23</b>
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THIS INFORMATION SHOULD BE CONSIDERED (Please check one) ☐ PROPRIETARY ☐ NONPROPRIETARY



**Non-Arm's-Length Transportation System/Segment Operations,  
Maintenance, and Overhead Expenditures  
Form MMS-4110, Schedule 1A**

**Instructions**

Schedule 1A is used to record reasonable actual operating, maintenance, and overhead costs for a transportation segment for the prior reporting period. A separate Schedule 1A must be completed for each segment in the transportation facility. The costs for all transportation facility segments are accumulated on Schedule 1 to determine the total operating costs for the facility. A list of allowable and nonallowable costs is provided herein and should be used as a guide in determining operating, maintenance, and overhead costs.

Complete the payor information block as follows.

Enter the same payor name and code as used on Form MMS-4110, Oil Transportation Allowance Report.

Enter the same Lease Number and Agreement Number (if applicable), as used on Form MMS-2014.

Enter the transportation facility name or identification number (as designated by the payor) unique to the transportation facility.

Enter the transportation segment name or identification number (as designated by the payor) unique to the transportation segment. (Note: For a transportation facility consisting of only one segment, the segment name or identification number will be the same as the facility name or identification number.)

Enter the reporting period. The period must be the same period shown in item 5 on Form MMS-4110, Oil Transportation Allowance Report.

Instructions for Computing Operating, Maintenance, and Overhead Costs.

**Note:** If estimated costs are used for start-up, check the estimated cost block.

Identify and list on Part A and Part B all operating and maintenance costs directly attributable to the transportation facility/segment during the reporting period. If additional space is needed to identify or explain other cost items, complete and attach a Supplemental Schedule 1A noting the nature and amount of the cost.

Line 10 - Enter total operating costs (the sum of lines 1-9).

Line 16 - Enter total maintenance costs (the sum of lines 11-15).

Part C - Identify and list all overhead costs directly allocable and attributable to the operations and maintenance of the transportation facility/segment. If additional space is needed, complete and attach a Supplemental Schedule 1A noting the nature and amount of the expenditure.

Line 20 - Sum lines 17 through 19 to obtain the total overhead expenditures directly allocable to the facility/segment.

Line 21 - Sum lines 10, 16, and 20 to obtain the total operating costs.

Part E - Enter the lease volume transported through this segment and the total throughput of this segment. (Note: The total throughput quantity excluding waste products that have no value must be used.) Divide the lease volume by the total throughput and enter answer in 6 decimal places on line 22 (.XXXXXX).

**Non-Arm's-Length Transportation System/Segment Operations,  
Maintenance, and Overhead Expenditures  
Form MMS-4110, Schedule 1A**

**Instructions**

Part F - Determine the allocated operating, maintenance, and overhead costs for the segment by multiplying line 21 times line 22 and enter on line 23. Enter in column (d) of Part A or B, Schedule 1, as appropriate.

Indicate by checking the appropriate box whether the information should be considered proprietary or nonproprietary.

**ALLOWABLE AND NONALLOWABLE OPERATING, MAINTENANCE, AND CAPITAL COSTS**

**Allowable Capital Costs** - Allowable capital costs are generally those costs for depreciable fixed assets (including costs of delivery and installation of capital equipment) which are an integral part of the transportation system. The following capital items are generally considered as allowable: garages and warehouses, rail haulage equipment including rail spurs, trucks, barges, pipeline compressors and pumps, and roads.

**Nonallowable Capital Costs** - Costs incidental to marketing (e.g., on-lease compression, gathering, separation, dehydration, storage, and treatment). Also, schools, hospitals, roads, sewer and other capital improvements or equipment not an integral part of the transportation facility are not allowable capital costs. The capital cost associated with the preparation of an environment impact statement is not allowable. However, capital costs for environmental equipment that are an integral part of the transportation facility are allowable.

**Allowable Operating Costs** - Allowable operating and maintenance costs are those nondepreciable costs that are directly attributable to the operation and maintenance of a transportation facility/segment. These expenditures include the following:

1. Salaries and wages paid to employees and supervisors while engaged in the operation and maintenance of equipment and facilities.
2. Fuel and utility costs directly related to transporting lease products.
3. Chemicals (including rust preventives and thinning agents) and lubricants used for the purpose of enhancing flow protection, or cleaning.
4. Repairs, labor, materials, and supplies directly related to transportation equipment and facilities.
5. Port and toll fees, insurance and ad valorem property taxes (Federal and State income taxes are not allowable deductions).
6. Arm's-length rental, leasing, or contract service costs for equipment, facilities, on-site location or maintenance of equipment and facilities.
7. General administrative overhead costs (headquarters personnel, telephone service, payroll taxes, employee benefits, vehicle expenses, office supplies, etc.). The total of these costs shall be limited to those reasonable expenditures directly attributable and allocable to the operation and maintenance of the transportation equipment and facilities.

**Non-Arm's-Length Transportation System/Segment Operations,  
Maintenance, and Overhead Expenditures  
Form MMS-4110, Schedule 1A**

**Instructions**

**Nonallowable Operating Costs –**

1. Costs incidental to marketing; e.g., on-lease gathering and storage, compression, separation, and dehydration; also, heaters, treaters, meters, water knockouts, ACT meters, meter sleds, and pumps (surface, subsurface, and circulating), and other operating costs associated with nonallowable capital expenditures which are not directly allocable or attributable to the transportation of lease products are not allowable.
2. Theoretical or actual line losses.
3. Federal and State income taxes, production taxes, royalty payments, or fees such as State severance taxes.
4. The value of fuel taken from the gas stream and used to run compressors and pumps. Costs for services that the lessee is obligated to perform at no cost to the Federal Government or Indian owner.

PAYOR IDENTIFICATION BLOCK	
Payor Name and Code:	_____
Lease Number:	_____
Agreement Number:	_____
Facility ID No:	_____
Segment ID No:	_____
Period:	_____ to _____
(mm/dd/ccyy)	

[illegible]

Total \$ \_\_\_\_\_

THIS INFORMATION SHOULD BE CONSIDERED (Please check one) ☐ PROPRIETARY ☐ NONPROPRIETARY

**Non-Arm's-Length Transportation System/Segment Operations,  
Maintenance, and Overhead Expenditures  
Form MMS-4110, Supplemental Schedule 1A**

Instructions

Supplemental Schedule 1A is used to identify and document operating, maintenance, and overhead expenditures listed under the "Other" expenditure categories on Schedule 1A.

Complete the payor identification block (see Schedule 1A instructions).

A separate Supplemental Schedule 1A must be prepared for other operating costs, other maintenance costs, and other overhead costs associated with the transportation facility/segment.

Describe and specify each expenditure item and amount. Receipts and invoices should be retained in the office of the payor subject to audit.

Sum the amounts of each expenditure and list on the total line.

Enter the total amount of the operations, maintenance, or overhead expenditures on Schedule 1A, lines 10, 16, or 20 accordingly.

Indicate by checking the appropriate box whether the information should be considered proprietary or nonproprietary.

PAYOR IDENTIFICATION BLOCK	
Payor Name and Code:	
Lease Number:	
Agreement Number:	
Facility ID No:	
Segment ID No:	
Period: (mm/dd/ccyy)	to

[illegible]

Totals	\$	\$	8
Allocated to Segment (from line 22, Schedule 1A)	\$	\$	9
Segment Depreciation and Capital Expenditure (Line 8 x line 9) Enter in column g and e, Schedule 1	\$	\$	10

Page 1 of 1

**Non-Arm's-Length Transportation System/Segment  
Depreciation and Capital Expenditure Summary  
Form MMS-4110, Schedule 1B**

**Instructions**

Schedule 1B is used to summarize actual or estimated facility/segment depreciation and undepreciated capital investment for computing return on investment. A separate Schedule 1B must be completed for each segment in the transportation facility. The costs of all transportation facility segments are accumulated on Schedule 1 to determine the total depreciation and undepreciated capital investment for the facility.

Complete the payor identification block (see Schedule 1A instructions).

For each facility/segment capital expenditure item complete one line as follows:

1. Identify the capital expenditure item.
2. Enter the initial capital expenditure amount and the date the expenditure was placed in service.
3. Enter a reasonable salvage value.
4. Enter the depreciable life of the expenditure and the number of years of depreciation taken to date.
5. Enter the undepreciated capital investment at beginning-of-year. In computing this value, salvage must be deducted from the initial capital investment.
6. Enter the amount of depreciation to be taken for the year. In computing depreciation, the payor may elect to use either a straight-line depreciation method or a unit of production method based on the life of the equipment or the life of the reserves which the transportation facility/segment services. Once an election is made, the payor may not alternate methods without MMS approval. Equipment shall not be depreciated below a reasonable salvage value.
7. Enter the undepreciated capital investment at end-of-year. This is computed by subtracting depreciation (column 6) from the beginning-of-year undepreciated capital investment (column 5). This amount will be used as the next year's beginning-of-year undepreciated capital investment.
8. Total columns 5 and 6 and enter on Schedule 1, Part A, columns e and g, or Part B, columns e and g, accordingly.
9. Enter the "Allocated to Segment" amount from line 22, Schedule 1A, on line 9, columns 5 and 6.
10. Multiply line 8 by line 9 for columns 5 and 6 and enter on line 10 and on Schedule 1, columns g and e, Parts A and B as appropriate.

Indicate by checking the appropriate box whether the information should be considered proprietary or nonproprietary.